Babcock Training Limited

Annual Report and Financial Statements

For the year ended 31 March 2022

Company registration number:

02817838

Babcock Training Limited

Directors and advisors

Directors

J R Davies
M Hayward
R H Taylor
I S Urquhart
T Newman
J Rayson
S Doherty

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

CONTENTS

Strategic report

The directors present their Strategic report on the company for the year ended 31 March 2022.

Principal activities

The principal activities of the company are the provision of apprenticeship and other vocational training across the emergency services, automotive, rail, nuclear, retail, hospitality and social care sectors to a range of customers including the London Fire Brigade and the Metropolitan Police Service.

Review of the business

	2022	2021
	£000	£000
Revenue	**74,565**	62,836
Profit/(Loss) before tax	**2,681**	(14,594)
Net assets	**48,936**	37,540

The company is one of the largest providers of apprenticeship and other vocational training across the emergency services, automotive, rail, nuclear, retail, hospitality and social care sectors. The increase in revenue and a return to profitability in the current financial year reflects the improved trading position post COVID-19, the continued ramp up of the Metropolitan Police Service contract and the higher impairment charge of investments in subsidiaries in the prior year.

Post balance sheet events

In September 2022 the company entered into an agreement to divest part of its Civil Training business. The transaction is expected to complete before the end of FY23 once certain completion conditions have been satisfied. Once completed the company will only continue its contracts with the London Fire Brigade, the Metropolitan Police Service and certain UK Ministry of Defence related customers. In addition, the company's investments in Babcock Skills, Development and Training Limited and Babcock Assessments Limited will be included in the divestment.

Principal risks and uncertainties

The company's ultimate controlling parent is Babcock International Group Plc. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group Plc. The principal risks and uncertainties of Babcock International Group Plc are discussed in its Annual Report for the year ended 31 March 2022.

The key risks and uncertainties affecting the company are considered to be related to changes in government policy, budget allocations and the changing political and regulatory environment. The directors manage this risk by meeting on a regular basis with government funding bodies and by repositioning the business as required to meet their requirements and those of employers.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 74 to 87 of the annual report of Babcock International Group PLC, which does not form part of this report.

Strategic report *(continued)*

Key performance indicators

The company's activities are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The growth and performance of Land, a sector of Babcock International Group PLC, which includes the company, is discussed on pages 46 to 47 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) Statement and Stakeholder engagement

This statement contains an overview of how the directors have performed their duty to promote the success of the company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,
b) the interests of the company's employees,
c) the need to foster the company's business relationships with suppliers, customers and others,
d) the impact of the company's operations on the community and the environment,
e) the desirability of the company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the company.

The company manages stakeholder engagement in accordance with Group policies and procedures which are discussed on pages 52, 53, and 101 of the annual report of Babcock International group PLC, which does not form part of this report.

Employees

Employee engagement is a primary focus for the directors of the company. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

These engagement activities form part of the company's implementation of the Group-wide People Strategy as described on pages 19 and 63 – 66 of the annual report of Babcock International group PLC.

Business relationships

The future success of the company is driven the long-term relationships with our customers. The directors are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.

Strategic report *(continued)*

Business relationships *(continued)*

The company requires an efficient and highly effective supply chain to support its business operations and strategy. This means the directors need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the company's implementation of the Group-wide Procurement Strategy as described on pages 21 and 69 – 72 of the annual report of Babcock International group PLC.

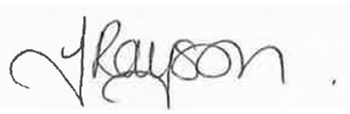
The community and environment

The directors recognise that sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. The company has done a lot in the past year as part of the Group-wide sustainability programme, ensuring progress towards our Group corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

These activities form part of the company's implementation of the Group-wide ESG Strategy as described on pages 54 – 75 of the annual report of Babcock International group PLC.

Approved by the Board and signed on its behalf by:



J Rayson
Director

19 December 2022

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2022.

Dividends

An interim dividend of £nil was paid in the year (2021: £nil). No final dividend for the year ended 31 March 2022 has been proposed by the directors (2021: £nil).

Directors

The directors who held office during the year and up to the date of signing the annual report were as follows:

J R Davies (resigned 28 June 2021)
M Hayward (resigned 17 December 2021)
R H Taylor (resigned 31 October 2021)
I S Urquhart (resigned 31 May 2022)
T Newman (appointed 29 June 2021, resigned 19 July 2022)
J Rayson (appointed 17 December 2021)
S Doherty (appointed 31 May 2022)

The Board is not aware of any contract of significant in relation to the company in which any director has, or has had, a material interest.

Future developments

In September 2022 the company entered into an agreement to divest part of its Civil Training business. The transaction is expected to complete before the end of FY23 once certain completion conditions have been satisfied. Once completed the company will only continue its contracts with the London Fire Brigade, the Metropolitan Police Service and certain UK Ministry of Defence related customers. In addition, the company's investments in Babcock Skills, Development and Training Limited and Babcock Assessments Limited will be included in the divestment.

The directors plan to continue to expand the company's delivery of both government funded training programmes and outsourced training management and delivery services in the emergency services and defence sectors. This will be achieved through tendering for new contracts and, where appropriate, by investing in strategic acquisitions.

To generate and preserve value in the longer term the company is also committed to developing its people and sustaining talent.

Going concern

The company is in good financial health and has a number of profitable long-term contracts that it will continue to fulfil. As such, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the date the financial statements are signed and therefore consider it appropriate to prepare the financial statements on a going concern basis. The directors have considered the impact of the divestment of part of the Civil Training business in their assessment of going concern.

Directors' report (continued)

Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail within the annual report for Babcock International Group Plc.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues, and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Safety policy

The company recognises the promotion of health and safety at work as an important objective. It is company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the company.

Energy and carbon reporting

The company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2022 of its ultimate parent, Babcock International Group Plc.

Engagement with suppliers and customers

Engagement with suppliers and customers has been considered in the Strategic report on page 5.

Directors' report *(continued)*

Employees

The company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 64 and 107 of the annual report for Babcock International Group Plc.

Engagement with UK employees has been considered on page 4 of the Strategic report.

Environment

The company recognises its responsibility to minimise, so far as reasonably possible, the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where appropriate.

The company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third-party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the company and other companies within the Group. These indemnities came into force in 2012 and remain in force.

Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

This confirmation is given and should be interpreted in accordance with the provisions of the s418 of the Companies Act 2006.

Directors' report *(continued)*

Appointment of auditors

Deloitte LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:

J Rayson
Director
19 December 2022

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Babcock Training Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Babcock Training Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Babcock Training Limited *(continued)*

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditors' report to the members of Babcock Training Limited *(continued)*

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists, including tax, pensions and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

Revenue and margin recognition on key long-term contracts with significant management judgment

- o Obtaining an understanding of relevant manual and IT controls and project accounting processes which management have established to ensure that contracts are appropriately forecast, managed, challenged and accounted for;
- o Making inquiries of contract project teams and other personnel to obtain an understanding of the performance of the project throughout the year and at year-end;
- o Analysing historical contract performance and understanding the reason for in-year movements or changes;
- o Testing the underlying calculations used in the contract assessments for accuracy and completeness, including the estimated costs to complete the contract and associated contingencies. We considered historical forecasting accuracy of costs, compared to similar programmes, and challenged future cost expectations with reference to those data points;
- o Examining external correspondence to assess the timeframe for delivery of the product or service and any judgements made in respect of these;
- o Examining external evidence to assess contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence and for certain contracts meeting with the customer directly;
- o Enquiring with in-house and external legal counsel regarding contract related litigation and claims; and
- o Considering whether there were any indicators of management override of controls or bias in arriving at their reported position.

Independent auditors' report to the members of Babcock Training Limited *(continued)*

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditors' report to the members of Babcock Training Limited
(continued)

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Makhan Chahal FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 December 2022

Income Statement

for the year ended 31 March 2022

	Note	2022	2021
		£000	£000
Revenue	4	**74,565**	62,836
Cost of sales		**(69,523)**	(64,507)
Gross profit/(loss)		**5,042**	(1,671)
Administrative expenses		**(1,706)**	(4,117)
Other income	4	**-**	2,287
Impairment of investments	5	**(1,764)**	(10,434)
Operating profit/(loss)	5	**1,572**	(13,935)
Income from shares in group undertakings		**1,775**	33
Finance income	6	**-**	1
Finance expenses	6	**(666)**	(693)
Profit/(Loss) before taxation		**2,681**	(14,594)
Income tax credit/(expense)	9	**19**	(807)
Profit/(Loss) for the financial year		**2,700**	(15,401)

All of the above results derive from continuing operations.

Statement of Comprehensive Income

for the year ended 31 March 2022

	Note	2022	2021
		£000	£000
Income/(Loss) for the financial year		**2,700**	(15,401)
Other comprehensive income/(loss): *Items that will not be subsequently reclassified to income statement:*			
Gain/loss on re-measurement of net defined benefit obligation	19	**10,156**	(7,358)
Tax on net defined benefit obligation	9	**(1,460)**	1,398
Total other comprehensive income/(loss)		**8,696**	(5,960)
Total comprehensive income/(loss)		**11,396**	(21,361)

Statement of Financial Position

as at 31 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	10	**16,085**	16,496
Tangible assets	11	**8,575**	9,414
Right-of-use assets	12	**7,734**	5,763
Investments	13	**22,456**	24,220
Deferred tax asset	18	**2,828**	4,269
		57,678	60,162
Current assets			
Trade and other receivables	14	**26,014**	39,957
Cash and cash equivalents		**13,187**	-
		39,201	39,957
Current liabilities			
Trade and other payables – amounts falling due within one year	15	**(29,556)**	(33,404)
Lease liabilities	16	**(802)**	(1,463)
Cash and cash equivalents		**-**	(825)
Net current assets		**8,843**	4,265
Total assets less current liabilities		**66,521**	64,427
Lease liabilities	16	**(7,102)**	(4,563)
Provisions for liabilities	17	**(2,652)**	(3,548)
Post-employment benefits	19	**(7,831)**	(18,776)
Net assets		**48,936**	37,540
Equity			
Called up share capital	22	**17,051**	17,051
Share premium account		**37,499**	37,499
Other reserves		**2**	2
Accumulated losses		**(5,616)**	(17,012)
Total shareholders' funds		**48,936**	37,540

The notes on pages 19 to 50 are an integral part of these financial statements.

The financial statements on pages 16 to 50 were approved by the Board of Directors and signed on its behalf by:

J Rayson

J Rayson
Director
19 December 2022

Statement of Changes in Equity

for the year ended 31 March 2022

	Called up share capital	Share premium account	Other Reserves	Accumulated losses/ retained earnings	Total Share-holders' funds
	£000	£000	£000	£000	£000
Balance at 31 March 2020	**17,051**	**37,499**	**2**	**4,349**	**58,901**
Loss for the financial year	-	-	-	**(15,401)**	**(15,401)**
Total other comprehensive loss	-	-	-	**(5,960)**	**(5,960)**
Balance at 31 March 2021	**17,051**	**37,499**	**2**	**(17,012)**	**37,540**
Profit for the financial year	-	-	-	**2,700**	**2,700**
Total other comprehensive profit	-	-	-	**8,696**	**8,696**
Balance at 31 March 2022	**17,051**	**37,499**	**2**	**(5,616)**	**48,936**

Notes to the financial statements

1 General information

Babcock Training Limited is a private company limited by shares which is incorporated and domiciled in England, UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

Its ultimate controlling party is disclosed in note 25. The principal activity of the company is set out in the Strategic report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with applicable law, the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements in accordance with the international accounting standards in conformity with the requirements of Companies Act 2006 as applicable to companies under FRS 101.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments'
b) IFRS 7, 'Financial instruments: Disclosures'
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- paragraph 79(a) (iv) of IAS 1 'Share capital and reserves';
- paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
- paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)

e) IAS 7, 'Statement of cash flows'
f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

i) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS36, 'impairment of assets'

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company intends to continue to prepare its financial statements in accordance with FRS 101.

The company is exempt under Section 400 of the Companies Act 2006 from the required to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Babcock International Group Plc, a company registered in England and Wales. Accordance, these financial statements present information about the company as an individual and not as a group

Adoption of new and revised standards

There are no amendments to accounting standards that are effective for the year ended 31 March 2022 that have a material impact on the company's financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of signing. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements. The directors have considered the impact of the divestment of part of the Civil Training business in their assessment of going concern.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the company's activities. The company recognises revenue in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, determination of contract price, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

(a) Performance obligations

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The company also considers

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Revenue ***(continued)***

(a) Performance obligations *(continued)*

whether the goods and/or services are integrated and represent a combined output for which the customer has contracted.

The integrated output nature of many of the services provided by the company results in some contracts only having one performance obligation.

(b) Determination of contract price

The contract price represents the amount of consideration which the company expects to be entitled in exchange for delivering the promised goods or services to the customer. Contracts can include both fixed and variable consideration.

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (e) below for further details) and variable elements of existing contracts, such as performance-based penalties and incentives, and gain/pain share arrangements where cost under/over spends are shared with the customer. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

As part of this judgement, variable consideration may be constrained. The company recognises variable consideration only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved.

(c) Allocation of contract price to performance obligations

Given the bespoke nature of many of the goods and services the company provides, standalone selling prices are generally not observable and, in these circumstances, the company allocates the contract price to performance obligations based on cost plus margin. This amount would be the standalone selling price of each performance obligation if contracted with a customer separately.

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Revenue *(continued)*

(d) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the company determines, for each performance obligation, whether it is satisfied over time or at a point in time.

Revenue recognised over time

Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done; or
- the company's performance creates or enhances an asset controlled by the customer.

Typical performance obligations in the company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering and training), as the customer simultaneously receives and consumes the benefits of the company's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

Where the company satisfies performance obligations over time, the company primarily uses an input method to measure satisfaction of each performance obligation based on costs incurred compared to total estimated contract costs. For the majority of the company's contracts, this is deemed to be the most appropriate method to measure Babcock's effort in satisfying the applicable performance obligations. Costs are included in the measurement of progress towards satisfying the performance obligation to the extent that there is a direct relationship between the input and satisfaction of the performance obligation. For contracts where costs incurred is not deemed to be the most appropriate measure, the company uses time elapsed to measure satisfaction of the performance obligation.

Under most of the company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the value of the goods or services rendered by the company exceed payments, a contract asset is recognised. If payments exceed the value of the goods or services rendered, a contract liability is recognised. See section (h) for further details on how contract assets and liabilities are recognised.

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Revenue *(continued)*

Revenue recognised at a point in time

If control of the goods or services is not transferred to the customer over time, then revenue is recognised at the point in time that control is transferred to the customer.

Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to receive payment by the company.

Assessment of contract profitability

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge.

Estimating contract revenues can involve judgements around whether the company will meet performance targets and earn incentives, as well as consideration as to whether it is necessary to constrain variable revenues to meet the highly probable not to significantly reverse test set out in paragraph 56 of IFRS 15. When considering variations, claims and contingencies, the company analyses various factors including the contractual terms, status of negotiations with the customer and historical experience with that customer and with similar contracts. Estimates of costs include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge and estimation uncertainty is resolved on a contract-by-contract basis as contracts near the end of the project lifecycle.

If a contract is deemed to be loss making the present obligation is recognised and measured as provisions. Further detail is included in the Provisions accounting policy.

(e) Contract modifications

Claims and variations

The company's contracts are often amended for changes in the customers' requirements. Contract modifications can relate to changes in both contract scope and price arising in the ordinary course of delivering contracts, which are referred to as contract variations. Such variations may arise as a result of customer requests or instructions or from requests from the company in response to matters arising during the delivery of contracts. For example, some contracts include the requirement to conduct surveys and to report on or to recommend additional work as required. Some contracts may require the company to proceed with variations and to agree pricing subsequently. See further detail on accounting for contract modifications below.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Revenue *(continued)*

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts.

These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

Accounting for contract modifications

The company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

1. Prospectively, as an additional, separate contract;
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

The company recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The company's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications often requires to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the company considers the scope of the contract modification in the context of the contract scope and contract terms. Contract variations where the formal contract amendment has not been received but which are, in management's judgement, approved are accounted for as a contract modification in accordance with IFRS 15 paragraph 18. Revenue from these contract variations is treated as variable consideration and subject to constraint as outlined in section (b) above, until the pricing is agreed.

Contract claims are also considered to be contract modifications in accordance with IFRS 15, and revenue is subject to constraint as outlined in section (b).

Claims and variations which are not deemed to be contract modifications

Claims can also be raised by Babcock against third-party sub-contractors or suppliers to the company. As these do not relate to contracts with customers, but rather relate to contracts with suppliers, they are not accounted for under IFRS 15. The company's accounting policy is to account for such claims in accordance with the contingent asset guidance per IAS 37. Income in relation to these claims will only be recognised once it is virtually certain.

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

Revenue *(continued)*

(f) Costs of obtaining a contract

Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Directly attributable costs to obtain a contract with a customer that the company would not have incurred if the contract had not been won are recognised as an asset. These costs are capitalised as an asset after the point that it can be reliably expected that a contract will be obtained. The costs are capitalised as an asset in capitalised contract costs and amortised to cost of revenue on a typically straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates, provided that the contract is expected to result in future net cash inflows.

(g) Costs to fulfil a contract

Post contract award but pre contract operational start-up costs which satisfy the criteria for capitalisation under another standard, such as property, plant and equipment (IAS 16) or intangible assets (IAS 38), are accounted for in accordance with those standards. Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:

i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

Capitalised contract costs are amortised to cost of revenue on a straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates.

(h) Contract assets and liabilities

Contract assets represent amounts for which the company has a conditional right to consideration in exchange for goods or services that the company has transferred to the customer. Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Payment terms are set out in the contract and reflect the timing and performance of service delivery. For substantially all contracts the payment terms are broadly in line with satisfaction of performance obligations, and therefore recognition of revenue, such that each contract has either a contract asset or contract liability, however these are not overly material in the context of the contract.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. The intangible assets are amortised on a straight line basis as follows:

a) Goodwill
Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101 in accordance with the transitional rules. Annual impairment reviews are performed as outlined in note 10.

b) Computer software
Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and eight years.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold land	Not depreciated
Freehold buildings	2% to 8%
Assets under construction	Not depreciated
Leasehold improvements	Depreciation over duration of lease
Plant and equipment	6.6% to 33.3%

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount exceeds the higher of an asset’s fair value less cost to sell or value in use.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

2 Summary of significant accounting policies (continued)

Financial instruments

a) Financial assets and liabilities at amortised cost
Cash and cash equivalents, trade receivables, amounts due from related parties and other debtors are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other debtors, the company measures the provision at an amount equal to 12-month expected credit losses.

Trade creditors, amounts due to related parties, other creditors, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

b) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

Taxation

(a) Current income tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Taxation *(continued)*

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back. In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Employee benefits

a) Pension obligations

The company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy using appropriate valuation techniques.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Employee benefits (continued)

The extent to which the company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs.

The scheme's liability is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The company participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

b) Holiday pay
Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

Lessee accounting

For all leases in which the company is a lessee (other than those meeting the criteria detailed below), the company recognises a right of use asset and corresponding lease liability at commencement of the lease.

The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, ‘Leases’.

Provisions for liabilities

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Grant Income

For the Job Retention Scheme grant income, the income will be recognised in the period in which the underlying furloughed staff costs have been recognised. The payroll liability has been incurred by the entity, and it has therefore met the conditions to claim for that payroll accounting period.

Dividends

Dividends are recognised as a liability in the company’s financial statements in the period in which they are approved. Interim dividends are recognised when paid.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements judgements and estimates have been made in applying the company's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the company's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates and judgements in relation to these financial statements are considered below.

Revenue and profit recognition

The company's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information and adjustments are made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.

Defined benefit pension schemes obligations

The company's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation and discount rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation and discount rate estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions and sensitivities is included in note 19.

4 Revenue and other income

Revenue is wholly attributable to the principal activities of the company and arises as follows:

	2022	2021
	£000	£000
By area of activity:		
Rendering of services	**40,512**	37,001
Long term contracts	**34,053**	25,835
	74,565	62,836

All the revenue in the year ended 31 March 2022 and the year ended 31 March 2021 originated in the United Kingdom.

Other income £nil (2021: £2,287,175) relates to the Job Retention Scheme grant income which has been recognised in the period in which the underlying furloughed staff costs have been recognised.

Notes to the financial statements *(continued)*

5 Operating profit

Operating loss is stated after charging/ (crediting):

	2022 **£000**	2021 £000
Depreciation of property, plant and equipment (note 11)	791	1,165
Right-of-use assets depreciation (note 12)	1,326	1,896
Amortisation of intangible assets (note 10)	468	296
Loss allowance in trade receivables	5	(195)
Reduction in carrying value of investments (note 13)	(1,764)	(10,434)

The auditors' remuneration for the current (£203,000) and prior year (£92,000) has been borne by a fellow group company. Fees paid to the company's auditors, Deloitte LLP and its associates (2022), PricewaterhouseCoopers LLP and its associates (2021) are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group Plc.

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6 Finance income and expenses

	2022 **£000**	2021 £000
Finance income:		
Bank interest	**-**	1
	-	1
Finance expenses:		
Bank interest	**(58)**	(57)
Lease interest	**(243)**	(356)
Other finance costs – Pensions (note 19)	**(365)**	(280)
	(666)	(693)

7 Staff costs

The average monthly number of employees (including directors) employed by the company during the year was as follows:

	2022 Number	2021 Number
By activity:		
Operations	**770**	831
Management and administration	**209**	256
	979	1,087

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	**28,354**	31,188
Social security costs	**3,256**	3,449
Other pension costs (note 19)	**3,147**	3,124
	34,757	37,820

Included in other pension costs are £467,000 (2021: £336,000) in respect of the defined benefit schemes and £2,679,677 (2021: £2,788,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

8 Directors' emoluments

During this year and the prior year none of the directors received any remuneration in respect of services to this company, as their services were considered incidental to their other services in the Group.

During this year and the prior year all of the directors of the company were remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the company and as such no disclosure of emoluments received by these directors has been made in these financial statements.

No recharge is made for costs borne by the company in relation to services performed by the directors in relation to other Babcock Group companies.

9 Income tax expense/(credit)

Tax credit included in income statement

	2022 £000	2021 £000
Current tax:		
UK Corporation tax on profits for the year	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	**333**	691
Adjustments in respect of prior years	**(143)**	116
Impact of change in UK tax rate	**(209)**	-
Total deferred tax (credit)/charge (note 18)	**(19)**	807
Tax on profit/loss	**(19)**	807

Tax (credit)/expense included in other comprehensive income

	2022 £000	2021 £000
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	**1,930**	(1,398)
Impact of change in UK tax rate	**(470)**	-
Tax expense/(credit) included in other comprehensive income	**1,460**	(1,398)

Notes to the financial statements *(continued)*

9 Income tax expense/(credit) (continued)

The tax for the year is lower (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £000	2021 £000
Profit/(loss) before income tax	**2,681**	(14,594)
Loss before income tax multiplied by standard UK corporation tax rate of 19% (2021: 19%)	**509**	(2,773)
Effects of:		
Group Relief surrendered for nil consideration	**(286)**	1,332
Expenses not deductible for tax purposes	**110**	2,132
Adjustments in respect of deferred tax for prior years	**(143)**	116
Impact of change in UK tax rate	**(209)**	-
Total tax (credit)/charge for the year	**(19)**	807

In 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2022 that are expected to reverse after 1 April 2023 have been calculated at 25%.

10 Intangible assets

	Software £000	Goodwill £000	Total £000
Cost			
At 1 April 2021	3,196	14,316	17,512
Additions	57	-	57
Disposals	(71)	-	(71)
At 31 March 2022	**3,182**	**14,316**	**17,498**
Accumulated amortisation			
At 1 April 2021	(1,016)	-	(1,016)
Amortisation	(468)	-	(468)
Disposals	71	-	71
At 31 March 2022	**(1,413)**	**-**	**(1,413)**
Net book value			
At 31 March 2022	**1,769**	**14,316**	**16,085**
At 31 March 2021	2,180	14,316	16,496

Intangible assets amortisation relating to software is recorded in cost of sales in the income statement. The remaining amortisation period is between one and eight years.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to ‘The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

Goodwill is reviewed for impairment annually based on the latest forecast produced as part of our annual planning process. We assess the appropriate growth rates at a business unit level and apply a consistent discount factor across the group.

Notes to the financial statements *(continued)*

11 Tangible assets

	Freehold land & buildings	Motor Vehicles, Plant and machinery	Fixtures, Fittings and Equipment	Leasehold Improvements	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2021	14,130	507	2,364	349	17,350
Additions	-	16	200	-	216
Disposals	(345)	(396)	(499)	(78)	(1,318)
At 31 March 2022	**13,785**	**127**	**2,065**	**271**	**16,248**
Accumulated depreciation					
At 1 April 2021	(5,116)	(297)	(2,263)	(260)	(7,936)
Charge for the year	(592)	(31)	(162)	(6)	(791)
Disposals	67	239	748	-	1,054
At 31 March 2022	**(5,641)**	**(89)**	**(1,677)**	**(266)**	**(7,673)**
Net book value					
At 31 March 2022	**8,144**	**38**	**388**	**5**	**8,575**
At 31 March 2021	9,014	210	101	89	9,414

Contractual commitments for property, plant and equipment at year end is £nil (2021: £nil).

12 Right-of-use assets

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2021	9,360	1,986	11,346
Additions	4,405	87	4,492
Terminations	(1,991)	(752)	(2,743)
At 31 March 2022	**11,774**	**1,321**	**13,095**
Accumulated depreciation			
At 1 April 2021	(4,558)	(1,025)	(5,583)
Charge for the year	(864)	(462)	(1,326)
Terminations	871	677	1,548
At 31 March 2022	**(4,551)**	**(810)**	**(5,361)**
Net book value			
At 31 March 2022	**7,223**	**511**	**7,734**
At 31 March 2021	4,802	961	5,763

13 Investments

	Shares in group undertaking £000
Cost	
At 1 April 2021	52,464
Disposals	(2,898)
At 31 March 2022	**49,566**
Accumulated impairment	
At 1 April 2021	28,244
Charge for the year	1,764
Disposals	(2,898)
At 31 March 2022	**27,110**
Carrying amount at 31 March 2022	**22,456**
Carrying amount at 31 March 2021	24,220

Notes to the financial statements *(continued)*

13 Investments *(continued)*

The directors believe that the carrying value of the investments is supported by their underlying net assets. The impairment charged to the income statement primarily relates to a reduction in the carrying value of HCTC Limited.

Details of the investments are outlined in note 23.

14 Trade and other receivables

	2022 £000	2021 £000
Amounts falling due within one year:		
Trade receivables	**9,938**	6,701
Amounts owed by group undertakings	**2,175**	23,877
Other receivables	**49**	144
Prepayments	**981**	679
Contract asset	**9,338**	4,504
Capitalised contract costs	**3,533**	4,052
	26,014	39,957

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

There are no major loans (2021: 2) to group companies (2021: £14,500,000) which were repayable on demand, with no interest charge.

	Contract asset £'000
At 1 April 2021	4,504
Increase due to work recognised in the income statement	4,834
At 31 March 2022	**9,338**

15 Trade and other payables – amounts falling due within one year

	2022 £000	2021 £000
Amounts falling due within one year:		
Trade creditors	**194**	334
Amounts owed to group undertakings	**7,389**	8,793
Other taxation and social security	**944**	3,002
Other payables	**226**	592
Accruals	**9,038**	8,849
Contract liabilities	**11,765**	11,834
	29,556	33,404

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand.

Notes to the financial statements *(continued)*

15 Trade and other payables – amounts falling due within one year *(continued)*

The company has access to the Babcock International Group PLC overdraft facility. The company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 20).

	Contract liabilities £'000
At 1 April 2021	11,834
Revenue recognised that was included in contract liabilities at the beginning of the year	(1,435)
Increase due to cash received, excluding amounts recognised as revenue	1,366
At 31 March 2022	**11,765**

16 Lease liabilities

The entity leases various premises under non-cancellable lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery under non-cancellable leases.

Discounted future minimum lease payments are as follows:

	2022 £'000	2021 £'000
Within one year	**802**	1,463
In more than one year, but not more than five years	**2,153**	1,914
After five years	**4,949**	2,649
Carrying value of liability	**7,904**	6,026

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.8%. The company had total cash outflows for leases of £1,557,000 (2021: £2,233,000) and interest expense on lease liabilities of £243,000 (2021: £356,000) for the year ended 31 March 2022.

The following are the amounts recognised in profit or loss:

	2022 £'000	2021 £'000
Expense relating to short-term leases	**196**	218
Expense relating to leases of low-value assets	**17**	85
	213	303

Notes to the financial statements *(continued)*

17 Provisions for liabilities

	Contract provisions £000	Dilapidations provisions £000	Employee related provisions £000	Total £000
At 1 April 2020	**84**	**780**	**1,430**	**2,294**
Charged to the income statement	790	426	108	1,324
Utilised/released to the income statement	(52)	-	(18)	(70)
At 31 March 2021	**822**	**1,206**	**1,520**	**3,548**
Charged to the income statement	-	107	53	160
Utilised/released to the income statement	(143)	(791)	(122)	(1,056)
At 31 March 2022	**679**	**522**	**1,451**	**2,652**

Contract provisions

A contract provision has been recognised to provide against expected future losses on a long term contract. It has been determined based on the assessment of future costs compared to expected revenue having made reference to past experience. The provision is expected to be utilised over the next 7 years.

Dilapidation provisions

Dilapidation provisions relate to the cost of dilapidations to leasehold properties. These provisions are expected to be utilised in the next 15 years.

Employee related provisions

The balance relates principally to certain employee related exposures that have been identified during the year. The amount has been determined based on the future anticipated costs which have been discounted to reflect the time value of money. The balance is expected to be utilised over the next 20 years.

Notes to the financial statements *(continued)*

18 Deferred tax assets

The major components of the deferred tax assets are recorded as follows:

	Accelerated capital allowances	Retirement Benefit Obligations	Other	Total
Deferred tax assets	**£000**	**£000**	**£000**	**£000**
At 1 April 2020:	**(635)**	**(2,328)**	**(715)**	**(3,678)**
Charged to the income statement	179	158	470	807
Credited to other comprehensive income	-	(1,398)	-	(1,398)
At 31 March 2021:	**(456)**	**(3,568)**	**(245)**	**(4,269)**
- Credited/charged to the income statement	(95)	150	(74)	(19)
- Charged to other comprehensive income	-	1,460	-	1,460
At 31 March 2022:	**(551)**	**(1,958)**	**(319)**	**(2,828)**

In the opinion of the directors, the deferred tax assets will be recovered over the trading life of the company as fixed assets are depreciated and pensions unwind.

19 Post-employment benefits

The company accounts for pension costs in accordance with IAS 19.

Defined Contribution Schemes

The company contributes to several defined contribution schemes in respect of a number of its employees. The company recognised an expense amounting to £2,680,000 (2021: £2,788,000) in respect of the defined contribution schemes.

Worcestershire County Council

On 1 October 2015 a number of employees of Worcestershire County Council transferred to the company, but continued to be members of the Worcestershire County Council Pension Fund. The company's liability is capped at the payments actually made and the funding risk remains with the local authority. Accordingly, this scheme is accounted for by the company as if the scheme is a defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £nil (2021: £46,000) and there was a creditor of £nil (2021: £nil) in the statement of financial position. The company expects to contribute approximately £nil (2021: £nil) in the next financial year.

Babcock International Group Pension Scheme

The company also contributes into the Babcock Group wide defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £2,680,000 (2021: £2,700,000).

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

Teachers' Pension Scheme (TPS)

The company participates in TPS (a national teachers pension scheme providing benefits based on final pensionable pay). The company's only obligation is to pay the contributions as they fall due and if the company ceases to employ members of the scheme, it will have no obligation to pay any further contributions to cover any shortfall against the cost of the benefits earned by its own employees in previous years. Therefore, the scheme is a defined contribution scheme for the purpose of IAS 19 and is accounted for as such by the company. The total cost of pension contributions for employees of the company during the year was £nil (2021: £42,000) and there was a creditor of £nil (2021: £nil) in the statement of financial position. The company expects to contribute approximately £nil (2021: £nil) in the next financial year

Defined Benefit Schemes

The company also participates in a number of defined benefit pension schemes for the benefit of its employees. The full details of these schemes are disclosed below.

For all the defined benefit schemes outlined below, the IAS 19 valuation has been updated at 31 March 2022 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19.

BIG Pension Scheme (BPS)

The company is a contributing employer to a defined benefit scheme known as the "Babcock International Group Pension Scheme" (BPS). The BPS a multi-employer scheme, the full details of which are disclosed in the financial statements of Babcock International Group PLC, which are publicly available. The company's allocation of this scheme is detailed in the tables below. The latest triennial review was 31 March 2019.

In June 2019, the Babcock International Group Pension Scheme was closed to future accrual for some employees. These members moved from active to active deferred members of the scheme, retaining a final salary link.

Guidance Pension Scheme (GPS)

The "Guidance Pension Scheme" (GPS) was closed during 2011 for future accrual for all members. However, it was re-opened for the month of February 2013 to enable the transfer in of one Babcock Training Limited employee for one month to enact the apportionment of GPS into the company. The latest triennial review was 6 April 2020. The company expects to contribute approximately £750,000 (2021: £600,000) in the next financial year.

Citrus Pension Scheme (CPS)

The company participates in the superannuation agreements of the Citrus Pension Plan, which is a centralised defined benefit scheme for certain employees, with assets held in separate trustee-administered funds. The latest triennial review was 31 March 2021. The company expects to contribute approximately £797,000 (2021: £797,000) in the next financial year.

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

Local Government Pension Scheme (LGPS)

The company also participates in the Local Government Pension Scheme (LGPS), a centralised defined benefits scheme with the assets held in separate trustee-administered funds. The company expects to contribute approximately £75,000 (2021: £68,000) in the next financial year.

London Fire Brigade

A number of employees working on the London Fire Brigade contract continue to be members of the LGPS. Under the terms and conditions of the original transfer, the associated pension fund assets and liabilities are separately identifiable and segregated for funding purposes.

The last formal valuation was carried out at 31 March 2019 and the valuation at 31 March 2022 is currently underway.

In December 2018, the Court of Appeal handed down a judgement regarding two employment tribunal cases (McCloud and Sargeant), which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. The judgement concluded that the transitional protection offered to some members as part of scheme reforms amounted to unlawful discrimination. On 27 June 2019, the Supreme Court denied the Government's request to appeal the judgement.

As a result, all the public sector pension schemes will need to amend benefits for those affected, including the LGPS. The government has now set out how it proposes to remove the discrimination identified by the courts and new legislation will be introduced in due course.

Following the new legislation, the pension schemes will run individual consultations on their specific scheme regulations. Once these steps are complete, implementation will begin, and the changes will then be introduced but this is not expected before April 2023.

The last formal valuation as at 31 March 2019 made no allowance for the impact of these tribunal cases and similarly no allowance has been made within the financial statements on the basis initial estimates indicate the impact is not material. The impact will be fully assessed as part of the latest triennial valuation and included in the financials in the future.

The major assumptions used for the IAS 19 valuation were:

	2022 BPS	2022 GPS	2022 CPS	2022 LGPS	2021 BPS	2021 GPS	2021 CPS	2021 LGPS
Discount rate (past service)	2.70%	2.70%	2.70%	2.70%	2.00%	2.00%	2.00%	2.00%
Salary increases (past service)	3.40%	N/A	N/A	3.30%	2.90%	N/A	N/A	2.90%
Deferred revaluation (past service)	3.70%	2.80%	3.20%	3.10%	3.20%	2.70%	2.70%	2.70%
Pension increases (past service)	3.46%	3.53%	3.21%	3.11%	3.07%	3.18%	2.72%	2.72%
Discount rate (future service)	2.70%	N/A	N/A	2.70%	2.10%	N/A	N/A	2.10%
Salary increases (future service)	3.30%	N/A	N/A	3.30%	2.90%	N/A	N/A	2.90%
Deferred revaluation (future service)	3.50%	N/A	N/A	3.10%	3.10%	N/A	N/A	2.70%
Pension increases (future service)	2.44%	N/A	N/A	3.11%	2.25%	N/A	N/A	2.72%
Inflation assumption	3.20%	3.20%	3.20%	3.20%	2.70%	2.70%	2.70%	2.70%

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

The mortality assumptions used were:

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Years	2022 BPS	2022 GPS	2022 CPS	2022 LGPS	2021 BPS	2021 GPS	2021 CPS	2021 LGPS
Life expectancy from age 65 (Male age 65)	21.8	22.1	20.9	20.7	22.1	21.6	20.9	20.6
Life expectancy from age 65 (Male age 45)	22.4	23.0	22.1	21.7	22.7	22.6	22.8	21.7

The changes to the company statement of financial position at 31 March 2022 and the changes to the company income statement for the year to 31 March 2022, if the assumptions were sensitised by the amounts below, would be:

£'m	2022 BPS*	2022 GPS	2022 CPS	2022 LGPS	2022 BPS*	2022 GPS	2022 CPS	2022 LGPS
	Defined benefit obligations				Income statement			
Initial assumptions	1,283.1	24.6	35.2	13.1	2.9	0.1	0.2	0.4
Discount rate assumptions increased by 0.5%	1,196.0	22.2	32.0	11.7	(1.3)	0.0	0.1	0.3
Discount rate assumptions decreased by 0.5%	1,381.1	27.0	38.4	14.4	6.6	0.1	0.2	0.4
Inflation rate assumptions increased by 0.5%	1,335.2	26.8	37.9	14.4	4.8	0.1	0.3	0.4
Inflation rate assumptions decreased by 0.5%	1,235.3	22.6	32.5	11.8	1.2	0.0	0.1	0.3
Total life expectancy increased by half a year	1,314.4	25.1	35.9	13.3	3.9	0.1	0.2	0.4
Total life expectancy decreased by half a year	1,254.3	24.1	34.5	12.8	2.1	0.0	0.2	0.4
Salary increase assumptions increased by 0.5%	1,290.0	24.6	35.2	13.4	3.3	0.1	0.2	0.4
Salary increase assumptions decreased by 0.5%	1,276.5	24.6	35.2	12.8	2.5	0.1	0.2	0.3

*Sensitivities on BPS represent changes to the overall scheme, not solely the company's share

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the statement of financial position date of 31 March were:

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

Analysis of assets

£'000	2022 BPS*	2022 GPS	2022 CPS	2022 LGPS	2021 BPS*	2021 GPS	2021 CPS	2021 LGPS
Equities / Private equity / GTAA	7,701	8,330	2,915	6,150	(79)	-	7,983	5,511
Property / Infrastructure	121,945	-	2,752	2,086	138,681	-	2,551	1,644
Corporate bonds / Credit / EMD	19,785	388	-	-	138,160	-	-	-
Government bonds	662,075	340	12,164	2,306	586,837	6,538	11,592	2,320
Repo obligations	-	-	-	-	-	-	-	-
Collateral	58,918	-	-	-	53,800	-	-	-
Funds awaiting investment	-	-	-	-	-	-	-	-
Multi Strategy Funds	-	11,961	10,534	-	77,583	14,137	2,508	-
Matching Assets	652,608	1,406	3,228	439	497,988	106	5,210	193
Active position on longevity swaps	(65,800)	-	-	-	(67,060)	-	-	-
Fair value of assets	**1,457,232**	**22,425**	**31,593**	**10,981**	**1,425,910**	**20,781**	**29,844**	**9,668**

*Amounts for BPS are for the overall scheme, not solely the company's share.

Investments have been valued for this purpose at fair value at the statement of financial position date. Equity investments and bonds are valued at bid price. The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13, the valuation of which is equal to the amount of collateral posted by the schemes as at statement of financial position date.

Analysis of amount charged to the income statement

£'000	2022 BPS	2022 GPS	2022 CPS	2022 LGPS	2022 Total	2021 BPS	2021 GPS	2021 CPS	2021 LGPS	2021 Total
Current service cost	-	-	-	330	**330**	-	-	-	160	**160**
Administrative expenses	-	18	119	-	**137**	-	37	136	-	**173**
Past service cost	-	-	-	-	**-**	-	3	17	-	**20**
Settlement	-	-	-	-	**-**	-	-	-	-	**-**
Net interest cost/(income)	-	125	154	87	**366**	-	124	104	52	**280**
Net Periodic Benefit Cost	**-**	**143**	**273**	**417**	**833**	**-**	**164**	**257**	**212**	**633**

The amounts charged to the income statement in the Babcock International Group plc financial statements for BPS were £5,873,000 for current service cost (2021: £5,741,000), £2,506,000 for administrative expenses (2021: £2,596,000), past service costs £nil (2021: £999,000) and net interest income of £537,000 (2021: net interest income £2,843,000).

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

Analysis of amount included in statement of comprehensive income ("SOCI")

£'000	2022 BPS	2022 GPS	2022 CPS	2022 LGPS	2022 Total	2021 BPS	2021 GPS	2021 CPS	2021 LGPS	2021 Total
Assumptions gain/(loss) on liabilities	-	1,347	1,960	1,027	**4,334**	-	(4,616)	(6,362)	(2,871)	**(13,849)**
Experience (loss)/gain on liabilities	-	1,343	582	260	**2,185**	-	(37)	40	(325)	**(322)**
(Loss)/gain on assets	-	1,060	1,378	1,199	**3,637**	-	3,137	2,407	1,269	**6,813**
Other (losses)/gains put through SOCI	-	-	-	-	**-**	-	-	-	-	**-**
SOCI	**-**	**3,750**	**3,920**	**2,486**	**10,156**	**-**	**(1,516)**	**(3,915)**	**(1,927)**	**(7,358)**

The amounts included in the statement of comprehensive income in the Babcock International Group plc financial statements for BPS was an actuarial loss of £119,728,000 (2021: £117,988,000 gain), experience losses of £16,961,000 (2021: £4,590,000 gain) and other gains of £2,601,000 (2021: other gains £3,023,000).

Reconciliation of present value of scheme liabilities

£'000	2022 BPS*	2022 GPS	2022 CPS	2022 LGPS	2021 BPS*	2021 GPS	2021 CPS	2021 LGPS
Opening present value of the defined benefit obligation	1,408,078	27,310	37,873	13,886	1,276,793	22,852	31,816	10,428
Current service cost	5,873	-	-	330	5,741	-	-	160
Administrative expenses	2,506	18	119	-	2,596	37	136	-
Interest on liabilities	27,480	539	747	279	29,825	543	750	251
Contributions by employee	71	-	-	47	99	-	-	41
Actuarial (gain)/loss on financial assumptions	(79,246)	(1,861)	(1,951)	(1,014)	166,168	4,657	6,419	2,892
Actuarial loss/(gain) on demographic assumptions	(22,776)	514	(9)	(13)	11,371	(41)	(57)	(21)
Experience loss/(gain)	16,961	(1,343)	(582)	(260)	(4,590)	37	(40)	325
Benefits and expenses paid	(75,881)	(580)	(1,019)	(200)	(80,924)	(778)	(1,168)	(190)
Past service cost	-	-	-	-	999	3	17	-
Settlement	-	-	-	-	-	-	-	-
Transfer between plans	-	-	-	-	-	-	-	-
Closing present value of the defined benefit obligation	**1,283,066**	**24,597**	**35,178**	**13,055**	**1,408,078**	**27,310**	**37,873**	**13,886**

*Amounts for BPS are for the overall scheme, not solely the company's share

Notes to the financial statements *(continued)*

19 Post-employment benefits *(continued)*

Reconciliation of fair value of plan assets (including reimbursement rights)

£'000	2022 BPS*	2022 GPS	2022 CPS	2022 LGPS	2021 BPS*	2021 GPS	2021 CPS	2021 LGPS
Opening fair value of assets	1,492,970	20,781	29,844	9,668	1,384,579	17,403	27,160	8,280
Interest on assets	29,358	414	593	192	32,601	418	646	198
Actuarial gains	17,706	1,060	1,376	1,199	62,574	3,137	2,408	1,270
Contributions by employer	58,808	750	797	75	26,981	600	797	68
Contributions by employee	71	-	-	47	99	-	-	41
Benefits and expenses paid	(75,881)	(580)	(1,019)	(200)	(80,924)	(778)	(1,168)	(190)
Settlement	-	-	-	-	-	-	-	-
Transfer between plans	-	-	-	-	-	-	-	-
Closing fair value of assets	**1,523,032**	**22,425**	**31,592**	**10,981**	**1,425,910**	**20,780**	**29,843**	**9,667**

*Amounts for BPS are for the overall scheme, not solely the company's share.

Statement of financial position

£'000	2022 GPS	2022 CPS	2022 LGPS	2022 Total	2021 GPS	2021 CPS	2021 LGPS	2021 Total
Fair value of assets	22,425	31,593	10,981	**64,999**	20,781	29,844	9,668	**60,293**
Present value of the defined benefit obligation	(24,597	(35,178)	(13,055)	**(72,830)**	(27,310)	(37,873)	(13,886)	**(79,069)**
	(2,172)	**(3,585)**	**(2,074)**	**(7,831)**	**(6,529)**	**(8,029)**	**(4,218)**	**(18,776)**
Company's allocation of BPS assets and liabilities				-				-
Statement of financial position				**(7,831)**				**(18,776)**

20 Contingent liabilities

At the year-end date the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2021: £nil) provided to certain Group companies. In addition, the company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2021: £nil).

No securities have been provided by the company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystalise.

The company is a member of a wider Babcock VAT group, and as a result is jointly and severally liable with the other members for the VAT liability of the group. At 31 March 2022 the accrued VAT liability of the group was £1,239,000 (2021: £2,448,906).

Notes to the financial statements *(continued)*

21 Related party disclosures

The company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

The company also entered into transactions with Babcock Learning and Development Partnership LLP, a partnership which is 80.1% owned by Babcock Education Holdings Limited.

Transactions entered into and trading balances outstanding in 2022 were as follows:

	Sales to related party £000	**Purchases from related party £000**	**Amounts owed by related party £000**	**Amounts owed to related party £000**
Babcock Learning and Development Partnership LLP	-	-	-	-

Transactions entered into and trading balances outstanding in 2021 were as follows:

	Sales to related party £000	**Purchases from related party £000**	**Amounts owed by related party £000**	**Amounts owed to related party £000**
Babcock Learning and Development Partnership LLP	4	6	1	-

All dealings with related parties noted above arise in the normal course of business and are subject to normal terms and conditions.

22 Called up Share capital

	2022 £000	2021 £000
Allotted and fully paid		
17,051,110 ordinary shares of £1 each (2021: 17,051,110)	**17,051**	17,051

Notes to the financial statements *(continued)*

23 Subsidiary, and associate and joint venture undertakings

All related undertakings for the company are as listed below:

Company Name	Direct/Indirect	Shareholding
Babcock Skills, Development and Training Limited	Direct	100.0%
Babcock Assessments Limited	Direct	100.0%
Skills2Learn Limited	Direct	100.0%
National Training Institute LLC	Direct	70%

The registered office of all undertakings with the exception of National Training Institute LLC is 33 Wigmore Street, London, W1U 1QX, England. The registered office of National Training Institute LLC is PO Box 267, Postal code 115, Madinat Qaboos, Sultanate of Oman. All subsidiary undertakings with the exception of National Training Institute LLC are incorporated and operate in the United Kingdom. National Training Institute LLC is incorporated and operates in the Sultanate of Oman.

The company's investments in all subsidiary undertakings take the form of a holding of Ordinary shares.

24 Post balance sheet events

In September 2022 the company entered into an agreement to divest part of its Civil Training business. The transaction is expected to complete before the end of FY23 once certain completion conditions have been satisfied. Once completed the company will only continue its contracts with the London Fire Brigade, the Metropolitan Police Service and certain UK Ministry of Defence related customers. In addition, the company's investments in Babcock Skills, Development and Training Limited and Babcock Assessments Limited will be included in the divestment.

25 Ultimate parent undertaking

The company's immediate parent company is Babcock Education and Training Holdings LLP, a limited liability partnership registered in England and Wales. The company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London
W1U 1QX